MONEY AND FINANCE

— WITH —

CIRCULATION OR CURRENCY,

IN THEIR RELATIONS

AS CONTROLLED BY

NATURAL AND STATUTARY LAWS,

The only Sure Mode of Establishing a Specie Basis

PERMANENTLY.

THE MEANS OF GIVING TO THIS NATION

The Best Currency in the World.

DISCUSSED IN TWO CIRCULAR LETTERS.

Digitized by the Internet Archive
in 2018 with funding from
This project is made possible by a grant from the Institute of Museum and Library Services as administered by the Pennsylvania Department of Education through the Office of Commonwealth Libraries

https://archive.org/details/moneyfinancewith00coll

OFFICE OF THE NORTHERN BANK OF KENTUCKY,
COVINGTON, OCT. 30th, 1874.

Much has been said and written in the past few years on what is commonly called the "currency" question. In all of this discussion, some lessons of wisdom should be gathered and arranged for practical use. Such men as Adam Smith and Quesnay have discussed ably the theories of economic science, on general principles, under the light of facts developing and existing when they wrote. We want not only theory based upon truth and justice, but we want something that is practical and meets the necessities of our present condition, securing to us the most economic disposition of our resources, and to those who come after us a sure and stable means of material progress. Political Economy is not a fixed science like mathematics—all its propositions perfectly demonstrable—but is progressive, and perfected only as circumstances develop and conclusively establish truths relating to it.

I do not here propose to discuss or demonstrate all of the propositions of economic science, or Political Economy, but simply address myself to the one subject, MONEY. And I shall not presume in this to dispute with the learned about its origin and uses, or even the definition which should be adopted for so important a term. All civilized nations agree when referring to the commercial world that MONEY is the measure of value, or the measure of value is MONEY. Nine-tenths, or very nearly all civilization, after an experience of many centuries, agree that the best measure of value is gold and silver, and such a common agreement

is necessary to commercial intercourse. Suppose, for instance, that I want some tea from China, and, after I have made the bargain, I offer the Chinaman flour in exchange, he says: "No, I have plenty to eat;" suppose I offer clothing, he says: "No, I have plenty to wear;" I offer him cutlery, he says. "No, I can get better and cheaper of my neighbor, England." Well, then I offer "greenbacks," he still says: "No," and wonders what those pretty pictures are for. I say to him: "It is money;" but he shakes his head and says "No." I finally offer silver, and he at once says, "*Yes*, that is MONEY, take the tea and give me the silver."

Well, now, the Chinaman wants some hardware, and goes to his neighbor, England, bargains for what he wants, and then attempts to pay the Englishman in tea, but he says: "No, I prefer coffee." "Well, won't you take rats?" "No, I want beef." "Won't you take silks?' "No, I can get them cheaper and better of my neighbor, France.' Well, the Chinaman has no pictures to offer, so he pulls out gold, and says: "Will you take that?" "Oh, yes," says the Englishman, "that is *money;* I can get what I want with that, wherever I choose."

The same may be said of all civilized, or even half-civilized nations on the globe, and establishes the fact that the precious metals, especially Gold and Silver, are the only generally recognized measures of value, and from *necessity* are such. I do not say, however, that one, or many nations, at different times in their history, have not had other measures of value; but none ever became so universally recognized as gold and silver are now. And we may, therefore, conclude that Gold and Silver, (besides the many other functions they have,) are the only standards of the measures of value, and are, therefore, MONEY.

The use of MONEY is so well understood that it is only necessary for my purpose to state that, by it, all values are adjusted and balances in traffic are liquidated, and there is nothing that will *universally* do this but gold and silver. Other devices have been and are being used as substitutes or helps, in whole or in part, by different nations, and at different places, caused by different circumstances, and regulated differently according to the mind of those creating or adopting the expedient.

Some of these we may name; Checks and Drafts or Bills of Exchange, used for adjusting values or balances at home and at different and distant places; Due-bills and Promissory Notes used for settlements in local traffic, payable for the most part at a future date; Bank Notes, payable on demand, and circulated more freely from hand to hand in the adjustments of balances created by barter, and Treasury Notes, payable on demand, issued by a nation, and circulated the same as bank notes. These are some of the helps adopted by a civilized people to aid money in performing all of its functions.

It will be readily admitted by all candid minds that none, nor all of them combined can, at all places and under all circumstances, perform the functions of MONEY, no more than the subalterns in the Treasurer's office can perform all of the functions of the Treasurer. And while this is true, they each can perform many, and even some of the most important, functions of MONEY. To illustrate: I have bought merchandise whose value is measured by MONEY as $1,000 in the place where I made the purchase—it may be a distant place in my own country or some foreign nation—my neighbor has sold in the same place where I made the purchase, to the neighbor of the merchant of whom I bought, produce measured by *money* as $1,000. Instead of sending the *money* to pay my debt to the merchant of whom I bought, I go to my neighbor and get his Draft or Bill of Exchange drawn on the merchant who owes him for his produce sold in the place where I made the purchase and hand *him* the $1,000 *in money* for his Draft or Bill of Exchange, which I send to the merchant of whom I bought, and he presents this to the purchaser of my neighbor's produce and gets his MONEY. Thus we see how Drafts and Bills of Exchange perform the functions of MONEY.

But suppose in the case above cited I had no neighbor who traded with the place where I owed my debt, and could not, therefore, get a Draft or Bill of Exchange, I would then be compelled to ship the *money* to pay my debt, showing that Drafts and Bills of Exchange can perform some of the functions of *money* but not all, and what they do on this basis honestly they do even better than *money* itself, as they save

cost of transportation, are safe against theft or loss, and are more expeditious and convenient to handle.

Again, I give my Due-bill or note to A, for a balance due him in barter, measured by $1,000. A trades with B, and becoming his debtor in $1,000, to settle, A hands B my Due-bill or Note, and as I am known to B as reliable and able to pay all of my obligations according to the contract set forth in the Due-bill or Note, he accepts it in place of the *money*. I then, by bartering with B, get a balance in my favor of $1,000. He at once tenders me my Due-bill or Note in liquidation in place of the *money*, and I can not refuse, but accept it in settlement. In these simple, close-at-home transactions it is readily seen how Due-bills or Notes (I used the words in their common acceptance) may perform the functions of *money*. But suppose I am not known to A or A to B, then, instead of giving A my Due-bill, I would have to give him the *money*, and he, likewise to B and then B again would hand me back the same *money* which I gave to A, showing that Due-bills and Notes, while they can perform well some of the functions of *money* can not answer all its uses.

There are many other circumstances, which may and do effect the use of Due-bills and Notes as a medium of "circulation" or substitute for *money*.

Again, Bank Notes, from the manner in which they are issued and the general faith in their principals being solvent and always prepared to take them up with the *money*, and because of the ease with which they can be handled and parceled out to suit all the transactions of trade, can and do perform many more of the functions of *money* than Drafts or Bills of Exchange, Due-bills or Notes, but like them, they fail to accomplish all that *money* accomplishes. For instance, you wish to make purchases in foreign lands, you can not take Bank Notes with which to make the purchases, but you are compelled to take Gold or Silver. Your goods bought, and they arrive in your own country, they can not be placed in your own store-house or home without first paying the duties in Gold or Silver.

Now, while Bank Notes may and do answer a very good purpose in our domestic political economy, they can never be made to entirely supplant the precious metals, especially in any country where commerce forms any part of the nation's activities, and they can not totally satisfy debt.

Lastly, Treasury Notes, or Notes for the redemption of which, in *money* the faith and resources of a great Nation are pledged, may still more successfully and extensively perform the functions of *money*: and yet even these are limited to their own country and people and can not adjust the values arising out of foreign commerce and traffic. Neither can they liquidate indebtedness *wholly*.

And thus we see that even the best substitutes can not answer all of the purposes of MONEY.

I now propose to set forth some the natural economic causes which make the difference in these agents, not noticing the extraneous or legal causes. Checks, Drafts, Bills of Exchange, Due-bills, and Promissory Notes are emitted or executed by individuals and combinations of individuals who are *known* only to a few comparatively, and their paper promises are therefore limited or extended as they are *known* and the knowledge required is not of the person only but ability also to perform what is promised, which is difficult to obtain as it is private and only perceived when voluntarily manifested. Convenience and rapidity are also to be considered as essential elements, still further circumscribing the circulation that may be obtained by these kinds of agents of *money*.

Banks are the creatures of a State or Nation and are made personalities by the public acts of the state or nation and thereby are better *known* and their ability is publicly provided for and manifested to the world. Convenience and rapidity is also to a greater or less extent provided for and therefore the issues of banks called Bank Notes have a wider and more general circulation. The principles here stated show us conclusively why National Bank circulation does perform the functions of *money* better and more economically than the State Bank Notes.

The circulation of an obscure State Bank, inaccessible and almost *unknown* with its promises payable only at its own counter, must necessarily circulate sluggishly, and scarcely beyond the border of its own State. While the National Banks are the creatures of the Nation, well *known*, and their resources publicly pledged and manifested, making their issues familiar and receivable all over the domain of the nation, having the promises of the Nation itself as ultimate security for the faithful performance of the promise executed by the National Bank.

So again, the issues of the Nation are a better agent to perform the functions of *money* than the issues of a creature of the Nation, for the same reasons intensified. The whole resources of the nation are pledged to perform the promise, and *directly*. In the case of the National Banks, it is *indirectly* and remotely, and only in part. We therefore conclude that the best substitute or help for *money* is Demand Treasury Notes, in this country commonly called *Greenbacks*.

In this discussion I have presumed that all of the principles involved are to be *truly*, honestly and justly executed and adjusted.

Fire is good, but if I burn my house down to warm myself I would be called insane. So, likewise, if the material for making and preserving a genial fire was all about me and I did not use it for the purpose intended judiciously, I would be equally crazy. Air is good, healthy and invigorating, but a tornando is destructive and should be provided against as well as want of "circulation" which is sure death, while a judicious "circulation" is energizing and life-giving. Water is likewise necessary and good, but when it comes in floods, unless we have the right kind of foundations (Gold and Silver) our house is sure to fall. When it comes in the sparkling dew or the gentle shower, oft-repeated and well-distributed, it gives life, energy and happiness.

So also, the earth is full of all that is good and grand. It is the store house of man's wealth, and yet if we wallow in the mire we are no better than the hog and should perish.

Having defined and illustrated the function of *money*, and some of its most important agents or substitutes, deduced from natural economic

causes, I now propose to examine into their relations to us as Citizens, States and a Nation. It is our boast before the world that as a Nation we are a Republic, where all of our citizens have the same rights, privileges and opportunities to secure or pursue happiness and peculiarly so in relation to material wealth as far as the Nation as such has the power to control, regulate and adjust. Are we, as Citizens and States, thus secured in our relations to *money* and its agents or substitutes. So far as *money* (Gold and Silver) is concerned we all alike can possess, pursue and use *money* (Gold and Silver) but it is evident to any one that all can not pursue, possess and use alike all of the agents or substitutes of *money*. So far as Checks, Drafts, Bills of Exchange, Due-bill and Promissory Notes are concerned we for the most part can: but in relation to the most important of them all—Notes issued and intended to circulate as the substitue of *money* called Bank Notes—we can not: and as now regulated, we ought not. They are limited in amount, obtainable in a particular way, which can be exhausted, so that the peculiar benefits of such an agent of *money*, can not be secured alike to all.

Class or sectional legislation, especially by a Reublican Nation, when it has the power at all to legislate is wrong, oppressive, and should never be resorted to under any pretext or circumstances. The Nation is Sovereign over *money* (Silver and Gold Coinage) and should also be over its most important agent or substitute; then all citizens would alike reap the benefits and enjoy the right to pursue, possess and use. And, as I have before shown, we would have the best possible substitute for *money*, Demand Government Issues, payable and redeemable in Gold and Silver coin, whenever and wherever presented at an office of the Treasury of the Nation. But how and when will this last feature be accomplished. I answer, much sooner than it can be accomplished by the present National Banks. If the Nation, will all its resources, and having all of the precious metals taken from the bowels of the earth at its sole command, so far as *money* within its own domain is concerned, and this continuous supply always flowing into its Mints and Assay Offices, thence to the Treasury, can not provide for a return to specie payments, how in the name of common sense can it be expected of

the Banks to successfully accomplish it, with no sources of supply, and no power over what may be produced. If the stronger power can not successfully maintain specie payments how can it be expected of the weaker and more limited ones, to do so, especially as it would require at least twice the amount of coin for the Banks—scattered as they are all over the country—to accomplish it with any thing like the currency or circulation issued. The Government offices are few, and located where the coin would be wanted for legitimate commerce, therefore concentrated to supply the legitimate demand to which it would be reduced, once coin was known to be readily attainable.

This shifting the burden from the stronger party, by reducing the Nation's promises on to the weaker party, by, at the same time increasing the Bank circulation, is, to say the least, foolish, and only advocated by those who wish to delay as long as possible the return to specie papments that they may longer enjoy their exclusive privileges and their unearned gains filched from the masses of the people by means of their irredeemable circulation.

The political influence and element involved in the present system is vastly greater than it could possibly be with nothing but a National "*circulation*" issued directly by the Government. Now, we have the National Banks clamoring to maintain the advantages already obtained and closely watching an opportunity to secure other and better privileges, with almost the entire money power of the Nation to help them, which is dangerous to the very liberties of the people; and on the other hand the voice of the masses crying aloud for relief and *equal benefits* with nothing but honest hearts and willing hands to sustain them in their unequal strife.

Withdraw the National Banks, and substitute for their circulation sufficient—and only sufficient for commercial purposes—Demand Notes of the Government, and the political controversy is ended, and Banks of Discount and Deposit would again be (organized by the States) doing business on *legitimate capital* of *their own*, and we would have a uniform circulation through the length and breadth of the land, and then we could very soon return to specie payments, and also stop another

shameful political issue—that of the redemption of Bonds in Greenbacks or Gold. And were we making specie payments, the more serious and important question as to the constitutional power of the Government to make any thing but Gold and Silver a Legal Tender in payment of debts would be resolved or made nugatory, as there would be no difference, and if Treasury Notes were refused, Gold could be without trouble, expense, or delay, tendered, the same as it was before the Legal Tender Act was passed. I do not propose that the Nation or its Treasury should be converted into a Bank—far from it. But I simply propose that in her necessity to *borrow* a large amount of money she should do so in the best way, securing the greatest good to the greatest number of her citizens by *borrowing* at the least rate of interest and expense and in a manner that will secure alike to *all* the same benefits. In so doing, furnish a uniform circulating medium, judiciously adjusted and sufficient for the commercial wants of the entire country, provide for its payment in *money*, the same as all of the obligations of the Government are and should be provided for, and then stop.

What are the lessons of wisdom to be gathered from such facts, and how are we to make them practically useful?

First—We learn that nothing but Gold and Silver can be constituted *money*, and, with us, the National Government is its Sovereign, having sole power over its coinage and standard value. As such, and through the power to convert the precious metals into *money* it must necessarily control the supply. And as the Nation is thus the fountain, all Citizens and the States have the same privileges and benefits, and can alike pursue, possess and use—which is just, right, and Republican.

Second—The best agent or substitute to assist *money* in performing its functions is Demand Promises, payable in Coin issued in convenient form and amounts by the Nation only, to circulate conveniently, cheaply and rapidly among the people to adjust balances in domestic commerce, giving a uniformity and stability which can in no other way be obtained, and giving the Nation the benefit of the *money* thus *borroued* without interest, and thereby benefitting all Citizens and States alike,

and all could again pursue, possess and use alike, which is not the case under the present system and never has been.

Third—Banks of Discount and Deposit would be established all over the whole country on a basis of *real capital* not borrowed from the people by circulation irredeemable and unequal in value and amount, but they would be merely clearing houses for local commerce and safe deposit, organized under the laws of the States, and be thus in their interests wholly withdrawn from the National Councils and political questions as corporations. And, again all of the States and the people could establish, pursue, possess, and use alike, and we would have Free Banking which has never before been attained, rendering that which has been a *mis-nomer* a realized fact, and it is the only way that free and equal Banking can be established.

Fourth—Specie or *money* being controlled by the Government, we would be enabled very soon—much sooner than by any other method—and without disturbance to commerce or relative values, as between debtor and creditor, to return to specie payments, and thus establish our national credit and character, disposing of all of the political questions in relation to currency now agitating and—to some extent disgracefully—injuring our credit and destroying confidence, which is the very soul of capital.

Fifth and lastly—I have not treated of the saving to the Nation as such, and to the People, but have confined myself to principles involved, and may be pardoned if I would state what I think from the statistics examined and the facts investigated, I am underestimating when I say that the actual net saving to the Nation would exceed $50,000,000 per annum, and to the people, commercially, as much more.

Very respectfully, an humble citizen,

D. C. COLLINS.

OFFICE OF THE NORTHERN BANK OF KENTUCKY,
COVINGTON, DEC. 15th, 1874.

Having, in my former circular letter, dated October 30th, 1874, set forth and attempted to develop in plain, simple, logical style, some of the natural economic causes and principles governing, and which should govern, *money* (Gold and Silver) its agents and helps (Checks, Drafts, or Bills of Exchange, Due-bills, Promissory Notes, Bank Notes, and National Treasury Notes) and their relation to us as Citizens, States and a Nation, I now propose to examine into some of the principal extraneous and legal causes operating upon and influencing the same, hoping thereby the more fully to illustrate and establish the theory I have advanced, and, at the same time, answer some of the objections that have been made to it, coming, for the most part, from those, who, in the judgment of charity, would be accused of selfish motives, as they do not pretend to deny a single argument, but simply say it is not practical, that it would not do to commit "circulation" to the *National Government* —forgetting that it is already in the hands of the Government, and that it has been *practically* demonstrated to be the best circulation we ever had.

The prominent place that *money* occupies in political economy and material progress has made it the subject of much legislation, some of which has been necessary and right, resulting in good. But a large

amount of the restrictions, guards and obstructions with which it has been hedged about by legal enactments, have been wrong, and tended only to weaken its power and lessen its activity and use.

The laws granting special privileges, immunities and benefits to a combination of individuals, as a corporation, and withholding them from an individual, under the same circumstances, are not republican or democratic, are unequal and unjust. And yet, all of the legislation relating to *money* and "circulation" in this country, either by the *States* or *Nation* has had more or less of this obnoxious feature in it.

Why *money* should be thus dealt with, I never could understand. And I have yet to learn the *reason* why it should not, like all other means of material wealth or progress, be subject to the same great natural law of demand and supply, and thus be left free to occupy its normal condition, and work as the great material motive power, with mind or intelligence as the immaterial governor, controlling and directing its flow and force so as to keep the vast political economic machine in regular motion; applying the current of force when needed, and holding it in reserve when the necessary natural wants are all supplied.

This principle is very clearly, conclusively and practically illustrated by the system adopted by the English Nation through the Bank of England.

There, when the demand becomes active and increasing, the flow outward and continuous, exhausting the supply, the rate of interest or cost is increased, and continued to be increased, until the demand is checked. Its use being no longer profitable at the cost, the flow reverses and begins to be inward, increasing the supply, and the rate of interest is reduced and continued to be diminished until the proper equilibrium is attained between demand and supply and a healthy condition is thus always maintained, and men are left *free* to be their own *masters* and *guardians* in relation to the *use* of *money* as they are in relation to all other sources of wealth.

It is a well known and admitted fact, that wherever what are called usury laws are enacted, either by the *State* or *Nation*, they are violated openly alike by borrower and lender, directly or indirectly, in

letter and spirit, and that too, by those who are considered the better and more intelligent class of citizens, and the additional risk for such violation is made the occasion for an increase of the rate to cover the risk by the lender as the penalty effects him only, while morally considered, the borrower is equally guilty.

Allow free trade in *money* and its activity would be vastly increased, not having the obstructions of legal enactments and restrictions to overcome, it would require a much less quantity and at a less rate of interest to supply the demand, and like every thing else in the great ocean of Material Wealth, it would soon find its level and equilibrium and the *free* and *equal* right to pursue, possess, and use, would be preserved. Honesty and the dignity of *Law* would be promoted and upheld.

Money is only valuable relatively. Gold and Silver have an intrinsic value outside of their function as *money*. *Money* as such has no value except as it satisfies or will procure that which will satisfy necessary and correct pleasurable desire.

It can not be food for the mind or body, neither can it give pleasurable emotions to any of the five senses, yet it can procure that which will be or do all of this; hence its great importance and relative value. If, therefore, I can procure as much of that which will satisfy necessary and correct pleasurable desire with *one* dollar of *money*, as I could under other circumstances with *ten* dollars, the one dollar is just as valuable to me as the *ten* dollars would be. Making it plain that it is *quality* or *power* and not *quantity* that gives value to *money*.

Whence this powerful function of these precious Metals when acting as *money*? The answer is easy: Necessity, yet hard to fully explain.

The Creator of the Universe probably first indicated it. The concurrent experience of progressive civilization, for centuries, by natural principles inherent in them, and in no other metals, acquiesced in, and established it. Then Nations enforced it by statute.

This power of Nations to legalize *money* has been and is greatly misunderstood. Commercially speaking, they can only legalize that which natural laws and principles, as illustrated in my former commun-

ication, have *necessitated.* And that Nation secures the greatest benefit and power through *money* which observes and follows out most nearly in its legal enactments, the natural laws or principles by which it operates, as is easily and clearly proven by the history of *money* in connection with that of nations. Natural laws cannot be destroyed or entirely overcome, but they may be controlled and directed.

To say that a Nation by *any power* can make a *promise to pay* satisfaction in full of all indebtedness, is as foolish as to say that if I throw a stone into the air that it will go to the moon; and yet we hear the absurdity almost daily, from those, too, who on all other subjects have more than ordinary intelligence.

Let us see how it works practically? I buy merchandise of a merchant, measured by *money* as $1,000, on a credit of thirty days time; at the expiration of the thirty days, I take a $1,000 National Bank Note, and hand it to the merchant, who at once gives me a receipt in full. So far as I am concerned, the debt is paid, but the merchant holds instead, the debt of the National Bank ($1,000) which is just as much of an indebtedness as mine was, only a little more convenient and usable. The merchant presents the Bank Note where it is payable, and asks for the *money.* The Bank says, "here is the *legal money;*" and the merchant by the requirements of the *law,* accepts the "promise to pay" of the *Nation* (a greenback $1,000) for the Bank's "promise to pay" $1,000. Now, the merchant holds the *debt* of the *Nation,* which is still a *debt,* the same as the first. The merchant goes to the *Treasury* of the *Nation* and presents the *debt,* or "promise to pay" $1,000, for the *money,* and receives for answer: "We cannot, or are not, paying such debts." And the *debt* remains a *debt* unsatisfied. It will not do to say that the merchant can use it the same as *money,* for, we have already shown in our former communication that he cannot.

Suppose, at the end of thirty days, I should hand the merchant, instead of a $1,000 Bank Note, $1,000 in Gold, then there would no longer be an indebtedness on the part of *any one.* Let us make it still stronger, by supposing that the *Nation,* in its sovereignty, should stamp the "pictures" as *money,* without any "promise to pay" *money* at all

and make them by law a legal tender, what would be the result? Simply to place them at such a discredit that no one would receive them for any purpose whatever. Showing clearly that legal enactments may be useful in directing and controlling *money* and its helps, in their functions, by following the natural laws and principles controlling them making them more secure, useful and convenient, but become impotent or evil in their effect, when they attempt to destroy or oppose such natural economic principles.

Gold and Silver as *money*, in its proper office, is very similar to the intelligent merchant, who keeps his stock well proportioned to the demand; his agents and helps active and sufficient to employ his ability and resources without strain: when his stock becomes reduced, and he cannot with all his ability and resources keep it up to a healthy condition, supplying all of his agents or helps in their demands, he necessarily diminishes the demand by withdrawing some of his agents and helps and keeping them in until the supply increases and is actively coming in, and then out he sends his agents and helps, more and more, of them until they fully employ his ability and resources again. So with *money*, as the merchant, and "circulation," as agents and helps. The agents of the merchant, are, in some respects, better adapted to their work than the merchant himself. So with the agents of *money*; they are more convenient, easier to handle and carry about. The agents and helps of the merchant are good only when they truly represent their principle and can thus command his resources to fulfill their promises when presented. So with circulation: it is only good when it truly *represents money* and can *command* IT for all of its promises when presented.

There are some things that the agent of the merchant cannot do as well as the merchant; and others that the agent cannot do at all. The same with "*circulation;*" it cannot pay or settle the balance of trade between foreign countries, nor totally discharge indebtedness, while *money* can; and so on, *ad infinitum*.

Last, and worst of all, the merchant may fail, and so may *money*, as it often has done in the history of nations.

Ignorance, Prejudice and Superstition have done much to retard the correct principles by which *money* and *circulation* are controlled. And a people who are thus influenced and governed in their actions will learn in no other school than that of the "hard task-master, experience." Some great calamity, or unusual event must occur to break down their prejudice, overcome their superstitions, let in and diffuse the light of intelligent reason; then they make some progress toward the true theory, but as they cannot fully get rid of their old prejudices and superstitions, they necessarily drop back into their old habits of thought and action, naturally falling into other errors, some of which are worse than the former, requiring another severe thump from the "task-master, experience" before they are aroused to their situation and danger, when unyielding Necessity demands and produces another *invention*, which, for the time, helps to overcome some of the difficulties and obstructions placed in the way of genuine permanent progress by Ignorance and its twin brothers Prejudice and Superstition. And, in this *thoughtless* way, the people are ever learning without coming to a knowledge of the truth that natural laws (concerning *money* and *circulation*) cannot be overcome, nor can they be opposed or resisted without the loss of force or motion.

They are like the Mechanical genius who has never learned the great natural laws of gravity and friction, attempting to produce by mechanism a perpetual motion, (promises to pay or *circulation* without a material basis.) He mis-applies his gifts, wastes his substance; disappointments and oft repeated failures weaken and paralyze his energies, and finally destroy what might have been a useful life if he had only first learned the true principles governing those natural laws and applied his genius and resources in conformity therewith to the accomplishment of practical results, thereby enriching himself, vastly benefitting others, also strengthening, energizing and prolonging a valuable life.

I hope by these arguments and illustrations to fully, fairly and correctly establish the character of *money* and *circulation* and their relation to each other, thereby showing that by natural principles, inherent in themselves, they will be properly adjusted if left free and only protected

by Statute Law in their *purity* and *security*. *Circulation* will be adjusted by the demand it makes for *money* and the supply of *money*. *Circulation* and *money* combined will be regulated by the demand of the *People*, and the supply of *circulation* controlled by the supply of *money*, and the relatives value of both will be their power to procure that which will satisfy necessary and correct pleasurable desire depending again upon the all-potent natural law, demand and supply.

When, therefore, we are secured in the permanent *purity* of Gold and Silver as the only *money* and the faithful *security* of its Agent and helps—*circulation*—we have an infallible law, that will always properly adjust them if left free to operate according to its own principals making no distinctions but always affecting all alike.

Have we, as a Nation, the *power* and *resources* to establish Gold and Silver as the only *money* and preserve it in its purity? We most undoubtedly have. Within our Territory, we have some of the richest mines of Gold and Silver known to civilization, and others being continually discovered, making the supply inexhaustible; our soil and climate making us with proper energy and intelligent economic enterprise, masters of the Commercial World, thus preserving our own *resources* and giving us a powerful control over the *resources* of other *Nations*, making it certain that we have at our reasonable command all the *resources* necessary.

The wisdom which framed our *National Constitution* provided the power as to control; and secured it to the Nation, only: forbiding the "*States* to make any thing but *Gold* and *Silver* a *legal tender* in payment of debts," giving the General Government sole power over its coinage and standard value. Congress also has the exclusive "power to regulate foreign commerce."

Have we the authority, intelligence and honesty, to create faithfully and permanently *secure*, the other *circulation*.

As to the authority, some have doubted and questioned, but it has been settled by the highest authority known to the Government, and therefore is no longer a question to be discussed.

The only thing that was involved in the discussions by the framers of the Constitution, was the power to make anything but Gold and Silver *money*, or a legal tender. They never once questioned the right to *borrow money*, and the necessity of such a provision. They had been taught in that same old school, *experience*, the evils arising out of an irredeemable *circulation*, forced upon the people by statutory laws, and it was this they were discussing and trying to provide against, and doubtless intended—as the langunge of the Constitution clearly indicates—to secure Gold and Silver as the *only legal tender*. Admitting that we have the power, under the Constitution, to *borrow money*, as a Nation at all, is admitting that we have the right to borrow it in that way that will secure *all* of the citizens of the Nation in the same equal rights and benefits at the least expense, which would clearly be the case in a "circulation" furnished by the Nation—not as a *legal tender*, but based upon Gold and Silver as the *only money* and *legal tender*. Such a "circulation" could never be a forced loan, as the holder could at any time present his claim and get the *money*. And we are further estopped from questioning the authority by the present National Treasury Notes, which have even the obnoxious feature of being made a forced loan by being made a legal tender and yet are *lawful money*.

Whether we have the intelligence and honesty to faithfully secure a good uniform *circulation* in which *all citizens* will be interested, and *all* will be *alike* affected and benefitted, remains yet to be seen.

I clearly proved, in my former communicaton, by logical deductions, that the only "circulation" by which all of these desirable ends could be accomplished, was a *National circulation secured* by the entire resources of the Nation. And I believe that the people, in their sovereign capacity as citizens, are as honest, yea, far more honest and able to create, permanently establish, and secure a "*circulation*" than Bankers, however much I respect their intelligence and integrity as a class.

The People would be void of personal selfish motives, and therefore actuated only to promote the general good, as it would then be through the general good that individual benefit could be derived. Not so

were the "circulation" committed to the National Banks. Then the Bankers and those interested in Banks, would be the sole beneficiaries of the results from the "circulation," and it would be naturally wielded by them for selfish ends, producing a continual strife and agitation. Whereas, if the Nation, and the whole people, through the Nation, were the beneficiaries, then the entire intelligence, honesty and integrity of the People, including the Bankers, would be united in preserving purity, uniformity and security; thus preventing the strife of classes and sections, also producing a good incentive for *all* to seek the greatest good to the greatest number. And, as ex-Secretary McCullough has wisely said that "there cannot long be two kinds of paper money in circulation," let us have the best.

In order to clearly and fairly show some of the reasons why the National Bank "Circulation" will not stand the test of resumption of specie payments, and the principle which I have here set forth, and which should be the basis of all laws in relation to *money* (Gold and Silver) and its principle help "*Circulation*," I quote from what is called the "National Currency Act," Sec. 31st.—"That every association in the Cities * * * * of St. Louis, Louisville, Chicago, Detroit, Milwaukee, New Orleans, Cincinnati, Boston, New York, Albany, Cleveland, Pittsburg, Baltimore, Philadelphia, Leavenworth, San Francisco, and Washington City * * * * Provided that the cities of Charleston and Richmond may be added * * "Shall at all times have on hand in lawful money of the United States an amount equal to at least *twenty-five per centum* of the aggregate amount of its notes in Circulation and its deposits, and *every other* association shall, at all times, have on hand in lawful money of the United States, an amount equal to at least *fifteen per centum* of the aggregate amount of its notes in Circulation and of its deposits, etc," Sec. 32.—That each association organized in any of the Cities named in the foregoing section shall select, subject to the approval of the Comptroller of the Currency, an association in the City of New York, at which it will redeem its Circulating notes at par. And each of such associations may keep one-half of its *lawful money* reserve in cash deposits in the City of New

York. And each association not organized *within the cities named* in the preceding section shall select, subject to the approval of the Comptroller of the Currency an association in either of the cities named in the preceding section, at which it will redeem its Circulating notes at par. If any association shall fail, either to make selection or to redeem its notes, as aforesaid etc., * * * Provided, That nothing in this section shall release any association from its liability to redeem its Circulating notes at its *own counter* at par, etc. And Provided, further, that every association formed, or existing under the provisions of this Act, shall take and receive at par for *any debt* or liability to said association *any and all notes* or bills issued by any association existing under and by virtue of this Act."

Section 46.—"That if any such association shall, at any time, fail to redeem in lawful money of the United States any of its circulating notes, when payment thereof shall be lawfully demanded, during the usual hours of business at the office of such association, or at its usual place of redemption aforesaid, the holder may cause the same to be protested, &c." Section 64—" And be it further enacted, That Congress may, at any time, amend alter, or repeal this Act."

It is apparent that *New York* is vastly prefered before any city or location in many respects. The Banks located in New York are required to redeem their own circulation, only at their own office. The Banks located in all other cities named are required to redeem not only at their own office, but also at an agency in New York, compelling them to place their resources at the control of the New York Banks, which is manifestly wrong, sectional and oppressive. Then again, the Banks located in cities or places not named must also redeem not only at their own office, but also at an agency in some one of the cities named, making the same oppressive distinction of location, and placing the entire monetary interests of the National Banks at the absolute control of the New York Banks and Bankers, especially if specie payments were resumed, for then all of the Banks in New York would become assorting houses, and all of the "circulation" flowing into New York would be assorted and charged up against the Banks for whom they

were agents, and telegrams and notices would be sent daily: "Your reserve is exhausted, or being reduced below the neccessary amount, place us in funds at once, or your Bank Notes must go to protest." And, whether true or false, the Bank out of New York would be compelled to respond, thus furnishing the New York Banks the means of protecting their own credit and "circulation," especially as the New York Bank is not required to hold the deposit for any special purpose and has the use of it the same as any other deposit, and itself may fail, as has already been the case repeatedly.

The last clause of Section 32, is even more oppressive, unequal and unjust, if such a thing were possible, than that which I have explained. It *compels* the *Creditor* Banks to accept from the *Debtor* Banks, any and all National Bank Notes in payment of any and all debts and liabilities, while the first clause in the same section requires *Creditor Banks* to *keep* a deposit at least sufficient to redeem its circulating notes—thus giving the Agency or Debtor Banks the legal right to demand *lawful money*, while they can pay the debt thus created in National Bank Notes.

To illustrate: Suppose that a National Bank in Cincinnati has faithfully complied with the law, by depositing a sufficient fund with its redeeming agent in New York to protect all of its circulating notes that might reasonably be expected to be presented at that place. The New York Bank may at its option send a miscellaneous package of National Bank Notes to the Cincinnati Bank in payment, and thus jeopardize the existence of the Cincinnati Bank. And thus could the Agency Banks, wherever located, exchange National Bank Notes for *lawful money* deposits, and compel the Creditor Banks (*forced* to be so by the law making them redeem away from their *own office*) to furnish more *lawful money*, to be again in like manner treated, making it impossible for any Bank out of New York, to have any "circulation" except, possibly, those located in the other *named* favored cities.

These ridiculously absurd and unjust inequalities, together with others equally so, have not been yet "experienced," simply because there has, as yet, been no difference between National Bank Notes and *lawful money*, both being alike promises to pay MONEY, and neither fulfilling

the promise, or expect to do so. Should the "Legal Tender Act" be repealed, and *lawful money* thereby become *specie only*, we would have *many* of these *forced* agencies suspending thereby, destroying or crippling the resources of all the Banks for which it or they were agents. While the home office of all the Banks out of New York, must provide for paying their "circulation" as before, and also re-establish their agencies immediately: placing their own solvency in the hands of others.

And the laws *compel* them to employ agents over whom they have no control and without any security, which is subversive of liberty itself.

Notwithstanding these difficulties and irregularties the redemption of all "circulation" at the principal trade centers is an essential to a uniform value in "circulation" throughout the country. Any one can understand how it is that "circulation" payable at distant places, and, in some cases, almost inaccessible, and in others dangerously so, would soon become different in value, according to the trouble and expense of conversion into Coin. It is also evident that if a resumption of specie payments, were attempted under the law as it now exists, that it would prove a failure, and all or most all of the National Banks out of New York, and some of the other especially favored cities would be driven into suspension and liquidation: the people thereby receiving another exceedingly hard thump from their old school master, *experience.*

Another great and serious fallacy that exist to a large extent in the minds of the people is that a pledge of the Nation's Bonds is a good basis for "Circulation," and as it gives ultimate security to the note holder it is therefore the best: which looks plausible if we go no further. But if tested by the light of reason and experience also, it is certain that it is not.

All the logic of admitted facts, some of which I have set forth in this and my former communication, together with the experience for centuries of all enlightened Nations, proves conclusively that MONEY (Gold and Silver) is the best and only true basis for "Circulation."

The admitted condition of the best circulation is that it is payable and will be paid on demand.

Bonds are not *money*, however good they may be.

And they can not, when pledged, be made available to pay "Circulation" on demand, and they can not be made available only when the Bank fails or itself presents its circulating notes where the Bonds are pledged.

Bonds thus pledged to *secure* a Circulation only exhaust the means of paying on demand, as is evident to any one familiar with Banking. But to make it plain to any one I will illustrate: Five men start a National Bank by subscribing and paying in each $100,000, making a *bona fide Capital* of $500,000. They spend the whole amount of their *Capital* in buying Bonds—say at par—deposit them as required by law at Washington, and after organizing as a Bank recieve $450,000 in Circulation. They now commence business. What have they with which to operate? nothing but credit. If they *issue* their own Circulation, it is only borrowing from the people, and if they receive deposits that is likewise a debt, and they have really no capital at all, the whole having been exhausted in buying the Bonds, all of which is now beyond their control, which fatal defect in such a system was fully illustrated and tested by what was called the Stock Banks of 1853 and 1854, which were almost identical in organization with the present National Banks, having the Bonds of the States as the pledge instead of Bonds of the Nation, and the Bonds of the States were then as good and valuable compared with Gold as the Bonds of the Nation are now, yet it was a gigantic failure, and for the very reason I have here given; for the old State Banks which, instead of exhausting *their Capital* by buying Bonds to pledge for Circulation kept *their Capital* or sufficient to pay their "Circulation" when presented on demand, and nearly all of them were thus enabled to weather the financial storm of 1854, while almost all of the Stock Banks were wrecked and destroyed, bringing disgrace upon the system from which it would never have recovered had not the present National Banks been a supposed necessity of the Government to enable it to sell its Bonds. These and many other defects equally as absurd and objectionable, make it *impossible* to have a stable uniform "Circulation" through the present

system. In order to have a perfectly secure "Circulation," it must be disconnected from *speculation* or speculative institutions, where there are no risks of trade to effect it, and where the rule governing its movements is the only just and equitable one demand and supply; with all of the channels of material progress and wealth, kept free and open to all alike. The sole means of doing this is to commit the exclusive *control* and *security* of the circulation to the Nation.

Those who understand the effect of an irredeemable Circulation, and are free to act unselfishly, know and admit that a speedy return to a *specie* standard, and basis for circulation is greatly to be desired, and the same parties realize the importance of success or the demoralizing and disastrous effect of failure, knowing than an attempt without success would be far worse than not to make the trial: as a failure after being so long in suspension would suddenly and greatly disturb, and alter all values as well as destroy confidence, delaying for many years the possibility of *resumption*.

The French people are giving us an example of the power and resources of a Nation financially, when master minds are at the helm. Although vanquished and devastated by an overpowering enemy, their own Government revolutionized, they rapidly and successfully pay off a subsidy of over $1,000,000,000 in Gold, and are now rapidly preparing for general resumption of specie payments, and will doubtless succeed before we do, notwithstanding all of our boasting.

The facts and arguments that I have given undoubtedly prove that the *Nation only* can surely provide a sufficient supply of Gold and Silver and maintain it; which is tacitly admitted by the advocates of specie resumption in that they all, without exception, argue that the Government must first resume, and for no other reason than that the Government has the greater ability, through the very facts and principles I have named.

The only sources of supply are the *earth* and *foreign commerce* or trade, and in this country the Nation can regulate and control both of them. The best "circulation" that can possibly be adopted as a help for *money* is one payable in *coin* on *demand* at all of the principle centres of trade,

thereby making it uniform in value over all of the domain of the Nation, perfectly secured by the *direct* pledge of all of the resources of the Nation, and totally removed from all of the risks of trade and *speculative institutions* and it is evident that no system of Banks can furnish such a "circulation."

Let the Government then provide as speedily as possible a sufficient supply of *Coin* as a basis for "circulation" adequate for all of the *natural* wants of domestic trade or commerce and without expansion or contraction. The National Banks have no power to fulfill these conditions, neither can it be delegated or given to them, therefore it would be wrong to require them to do an impossibility.

During the process of accumulating sufficient *money* in the Treasury, prepare the "circulation" which is to be made payable in *Coin* on demand, and make it of such material and workmanship that it will be impossible to successfully counterfeit it, which could be the more readily done, as there would be but one kind to provide.

When these provisions have been fully made, exchange the new coin-paying circulation for the legal tenders and call in monthly five or ten per cent. of the National Bank Notes, substituting therefor the New Government "circulation" as fast as presented, and giving the Banks the option of withdrawing proportionately their Bonds, or selling them to the Nation at a given price, graduated according to the value of such Bonds at the time of each call, and should the Banks fail to return their "circulation" or deposit Gold in lieu thereof, then the interest on an amount of Bonds corresponding to the called "circulation" to inure to the Government from the date of the call, and should any of the Banks decline to sell the Bonds at the price named, then the Government could buy the same amount of Bonds in the market, so as not to contract the amount of "circulation" and at the same time insure a rapid, complete substitution.

At any time should there be any unnecessary accumulation of "circulation" and Gold in the Treasury and the demand for money active for legitimate commerce, the Government could either receive Bonds on deposit and give circulation for them—the interest on the

Bonds accruing during the deposit, inuring to the Government — or buy Bonds and cancel them; or, should the "circulation" prove excessive, it could be gradually withdrawn and cancelled, all of which might be entrusted to a Board of Control, consisting of the President of the United States, with the heads of the Departments as members, and the Secretary of the Treasury as Manager, governed by rules and laws enacted by Congress.

By such a "circulation" would be overcome the necessity of class legislation, giving to a few the benefit of the *money* borrowed of the people on really the credit of the people, and not the credit of those benefitted—and that, too, at the expense of the very people of whom they (the National Banks) borrow it—for the people pay the interest on the very Bonds pledged to secure the "circulation" by which the Banks borrow of the same people the amount of their circulating notes in the hands of the people.

The sectional legislation, so obnoxious, and which is so palpable, in the law establishing the National Banks, would be done away with, and there would be no difference between New York, Cincinnati, &c., and any other place within the territory of the United States except such as the natural laws of trade necessarily make, and which are right.

I know that there are many men of ability and large experience who advocate a different policy, some of whom are doubtless sincere and honest in their views, but in most cases the advocates of the other theories that have been presented are actuated by selfish motives or prejudice.

All men are more or less selfish, and Bankers with all of their virtues, are no exception to the rule, and I am not astonished that they, for the most part, as associated with and interested in National Banks, especially those located in New York and the other favored cities, should object to surrendering the benefits of the *money* borrowed by means of a "circulation" without expense, and bestow it upon the *whole* people through a *National Circulation.* But Section 64 reads: "*And* "*be it further enacted,* That Congress may at *any time* amend, alter or

"repeal this Act." Placing the whole subject clearly within the power of Congress.

Having plainly, earnestly and without prejudice or selfish motives, clearly pointed out some of the dangers, evils and difficulties attending our present and past financial systems and indicated a sure and eminently practical way to overcome them all, and thereby establish a system of finance as stable as the Nation itself, I submit the all important subject for candid, intelligent consideration, hoping by these arguments to excite and induce the Citizens, States and Nation to seek truth, and pursue it; establish justice, and maintain it; secure to *all* alike the greatest liberty, consistent with *egual* rights, privileges and benefits, in the pursuit, possession and use of MONEY and its Agents or Helps, especially "CIRCULATION."

Very respectfully, an humble citizen.

D. C. COLLINS.